

Message Text

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ACTION AF-18

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TO SECSTATE WASHDC 2065

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C O N F I D E N T I A L LONDON 08784

E.O. 11652: XGDS-1

TAGS: EFIN, EAID, PFOR, IBRD, GH, UK

SUBJECT: GHANA DEBT: CONTRACT REVIEW OUTCOME

REF: (A) STATE 147901, (B) STATE 147144

1. WE SAW GORDON BAKER (WEST AFRICAN DEPARTMENT, FCO) ON JULY 12 TO DISCUSS CURRENT UK ATTITUDE TOWARD IMPLEMENTATION OF AGREED MINUTE.

2. THE UK, BAKER SAID, IS CURRENTLY WAITING FOR THE "CONSIDERED REACTION" OF THE FRENCH AND GERMANS TO THE GOG CONTRACT REVIEW FINDINGS. IT IS UP TO THEM, HE SAID, TO TELL THE OTHER CREDITORS WHAT SHOULD BE DONE IN THE PRESENT CIRCUMSTANCES. THE BRITISH ARE CONCERNED BY THE FACT THAT THE GHANAIANS SAID THAT THEY "DO NOT ACCEPT" THE VALIDITY OF THE FRENCH AND GERMAN CONTRACTS. IF THE GOG HAD STATED THAT IT WAS "CHALLENGING" THE CONTRACTS, THE BRITISH WOULD BE MORE CONFIDENT THAT THE DISPUTE WAS NEGOTIABLE UNDER SECTION SEVEN OF THE AGREED MINUTE. THE FRENCH AND GERMANS WILL HAVE TO OBTAIN FURTHER CLARIFICATION OF THIS POINT, BAKER SAID. AS FOR THE BRITISH CONTRACT THAT HAS BEEN CHALLENGED ON THE GROUNDS OF PERFORMANCE, CONFIDENTIAL

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THE FCO IS CONSULTING (THROUGH THE ECGD) WITH THE

CONTRACTOR, AND WILL DECIDE WHAT STEPS TO TAKE ON THE BASIS OF THE RESULTS OF THESE CONSULTATIONS.

3. IF THE FRENCH AND GERMANS DECIDE THAT THEY HAVE TO CALL A CREDITORS' MEETING TO REVIEW THE CURRENT SITUATION OR TO CONSIDER WHETHER THE AGREEMENT MIGHT HAVE TO BE CALLED OFF, THE BRITISH GOVERNMENT'S ATTITUDE, BAKER SAID, WILL BE LARGELY DETERMINED BY WHETHER THE GOG IS PREPARED TO NEGOTIATE OVER THE EIGHT BRITISH CONTRACTS THAT IT CHALLENGED IN FEBRUARY 1972. SO FAR, HMG DOES NOT KNOW THE SUBSTANCE OF THE GOG'S OBJECTIONS. THE PURPOSE OF MASON'S REQUEST TO VISIT ACCRA AT THE END OF JULY WAS TO DETERMINE WHAT PRECISELY THE GHANAIS OBJECT TO, SO THAT NEGOTIATIONS OVER EACH CONTRACT CAN BEGIN. THE GOG HAS NOT YET AGREED TO MEET WITH MASON. IF GHANA NOW REFUSES POINT-BLANK TO DO ANYTHING ABOUT THESE EIGHT CONTRACTS, BAKER SAID, THE UK WILL BE IN A "DIFFICULT POSITION," AS THE CONTRACTS AMOUNT TO 17.5 MILLION POUNDS, OR NEARLY HALF THE UK'S DEBT. THE BRITISH DO NOT EXPECT TO RECOVER MUCH MONEY, BUT THEY MUST PRESERVE THE PRINCIPLE THAT DISPUTES OVER CONTRACTS ARE NEGOTIABLE, BAKER SAID.

4. WE BRIEFED BAKER ON USG POSITION, DRAWING ON REF B. HE NOTED POINT THAT QUANTUM OF "REPUDIATED" DEBT FALLS WELL WITHIN TWENTY PER CENT LEVEL, AND SAID THAT THE INCIDENCE OF ANY "REPUDIATIONS" SHOULD BE CONSIDERED AS WELL AS THEIR VALUE. IN OTHER WORDS, ONE HAS TO CONSIDER THE EXTENT TO WHICH ANY ONE CREDITOR IS AFFECTED BY REPUDIATIONS, AND NO ONE SHOULD BE EXPECTED TO SUFFER DISPROPORTIONATELY.

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